

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re: § Chapter 11
§
CHESAPEAKE ENERGY CORPORATION, *et al.*¹ § Case No. 20-33233 (DRJ)
§
Debtors. § (Jointly Administered)
§

**SUPPLEMENT TO PRELIMINARY AND LIMITED OBJECTION OF
ETC TEXAS PIPELINE LTD., *ET AL.*, TO DEBTORS' EMERGENCY MOTION FOR
ENTRY OF INTERIM AND FINAL ORDERS (I) AUTHORIZING THE DEBTORS TO
OBTAIN POSTPETITION FINANCING, (II) AUTHORIZING THE DEBTORS TO USE
CASH COLLATERAL, (III) GRANTING LIENS AND PROVIDING CLAIMS WITH
SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS, (IV) GRANTING
ADEQUATE PROTECTION TO THE EXISTING SECURED PARTIES,
(V) MODIFYING THE AUTOMATIC STAY, (VI) SCHEDULING A FINAL HEARING,
AND (VII) GRANTING RELATED RELIEF**
[REL. DOCKET NOS. 22 AND 340]

TO THE HONORABLE BANKRUPTCY JUDGE:

ETC Texas Pipeline, Ltd., Energy Transfer Fuel, LP, ETC Katy Pipeline, LLC, Houston Pipe Line Company LP, Oasis Pipeline, LP, Sunoco Pipeline L.P. and Trade Star, LLC (where collectively, “Energy Transfer”) by and through its undersigned counsel, file this supplement (this “Supplement”) to their preliminary² and limited objection (the “Limited Objection”) [Docket No. 340] to the *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use*

¹ A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ proposed claims and noticing agent at <https://dm.epiq11.com/chesapeake>. The location of Debtor Chesapeake Energy Corporation’s principal place of business and the Debtors’ service address in these chapter 11 cases is 6100 North Western Avenue, Oklahoma City, Oklahoma 73118.

² Energy Transfer entities and Debtor entities are parties to approximately 50 executory contractual arrangements, some of which do not give rise to lien rights (whether by contract, common law, or statute) in favor of Energy Transfer. Energy Transfer continues to review those arrangements to determine which may give rise to lien rights and which do not, and accordingly, reserves its rights to supplement, amend, or otherwise update this Limited Objection upon completing its review of its contractual arrangements with the Debtors.

Cash Collateral, (III) Granting Liens and Providing Claims with Superpriority Administrative Expense Status, (IV) Granting Adequate Protection to the Existing Secured Parties, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief (the “Cash Collateral Motion”) [Docket No. 22]. In further support of the Limited Objection, Energy Transfer says:

1. On July 15, 2020, Energy Transfer filed the Limited Objection. The Limited Objection is incorporated by reference herein.
2. Energy Transfer, the Debtors, and the DIP Agent (as defined in the Cash Collateral Motion) have been unable to consensually resolve the Limited Objection.
3. Energy Transfer proposes including the following language in any final order granting the Cash Collateral Motion, in resolution of the Limited Objection:

The DIP Liens shall not prime or be senior to the liens or security interests (if any) of ETC Texas Pipeline, Ltd., Energy Transfer Fuel, LP, ETC Katy Pipeline, LLC, Houston Pipe Line Company LP, Oasis Pipeline, LP, Sunoco Pipeline L.P. and Trade Star, LLC (collectively, “Energy Transfer,”) in the DIP Collateral to the extent such lien or interest of Energy Transfer constitutes a valid, perfected and non-avoidable lien senior to the Existing RBL Liens as of the Petition Date (collectively, the “Prepetition Energy Transfer Liens”). As security for and solely to the extent of any Diminution in Value, Energy Transfer shall receive and is hereby granted, pursuant to section 361(2) of the Bankruptcy Code, continuing, enforceable, fully-perfected, non-voidable replacement liens on, and security interests in, the Debtors’ crude oil and gas that are in Energy Transfer’s pipelines (the “Energy Transfer Replacement Liens”), with such Energy Transfer Replacement Liens to have the same validity and priority as the Energy Transfer Liens as of the Petition Date, and as security for and solely to the extent of any Diminution in Value, Energy Transfer shall receive and is hereby granted, pursuant to section 507(b) of the Bankruptcy Code, administrative claims against Chesapeake Energy Corporation, *et al.* (the “Energy Transfer Administrative Claims”). For the avoidance of doubt, any action or inaction of Energy Transfer on or after the Petition Date shall not constitute a relinquishment of the Prepetition Energy Transfer Liens, the Energy Transfer Replacement Liens, or the Energy Transfer Administrative Claims.

(the “Proposed Language”).

Conclusion

WHEREFORE, Energy Transfer respectfully requests the Court enter an Order (i) sustaining the Limited Objection, (ii) including the Proposed Language, and (iii) granting such other and further relief as the Court deems just and proper.

Dated: July 30, 2020

Respectfully submitted,

/s/ John Mitchell

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CERTIFICATE OF SERVICE

I hereby certify that on July 30, 2020, a true and correct copy of the foregoing was served by the Court's Electronic Case Filing System to all parties registered or otherwise entitled to receive electronic notices.

/s/ John E. Mitchell

John E. Mitchell